



United States  
Department of  
Agriculture

Rural Development  
Rural Housing Service  
Rural Business-Cooperative Service  
Rural Utilities Service

655 Parfet Street, Room E-100  
Lakewood, Colorado 80215  
720/544-2920  
720/544-2970

February 5, 2003  
**Colorado AN No. 1867 (HB-1-3550)**

**SUBJECT: Use of Grant Funds in Determining Loan Eligibility**

To: USDA/Rural Development Staff  
Single Family Housing Program  
Colorado

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to give guidance to agency personnel concerning the use of grant funds when determine eligibility for a 502 loan.

**COMPARISON WITH PREVIOUS AN:**

This replaces Colorado AN 1818 (1944-I), which is to be removed.

**IMPLEMENTATION RESPONSIBILITIES:**

Many of our partners are seeking out grant funds to help supplement loan funds. This allows loan funds to be available to serve more applicants. To properly calculate the applicant's total qualification amount and accurately account for grant funds, the grant amount must be entered into the Leveraged Loan/Maximum Loan Amount Worksheet screen in UniFi. In some cases the applicant does not qualify for the amount needed to purchase or build a house. A grant enables the applicant to make it work.

Examples:

An applicant qualifies for a \$90,000 loan (between Rural Development and a leverage lender), and there is no indication grant funds would be available. The least expensive house available for purchase or to build is \$93,000. A grant of \$3000 become available and is included in the Eligibility Summary to enable the applicant to either purchase or build the house for \$93,000.

**EXPIRATION DATE:**  
February 28, 2004

**FILING INSTRUCTIONS:**  
HB-1-3550, Appendix 7

An applicant qualifies for a \$93,000 loan (between Rural Development and a leverage lender), and there is no indication grant funds would be available. The applicant has made a final selection of a house either to build or purchase for \$93,000. A grant becomes available and is included in the final Eligibility Summary which reduces the loan amount. We would not expect the applicant to back out of the \$93,000 purchase in order to secure a larger home, or a home with more amenities, just because they now qualify for a larger loan.

Due to the limited 502 funding available, it is imperative that loan approval officials use every tool available to help applicants qualify for a home. This includes ratio stretches, 38-year term loans and other exceptions available in the 3550 handbook.

If you have any questions, please feel free to contact the Single Family Housing Section at (720)544-2918.

Ginette Dennis  
State Director